

DDA 76-5244

22 October 1976

MEMORANDUM FOR: All DDA Office Directors

FROM : Michael J. Malanick
Associate Deputy Director for Administration

SUBJECT : Financial Guidance for FY 1977

REFERENCE : Memorandum for DDA from DDCI, dated 18 October 1976,
Subject: Financial Guidance for FY 1977

1. Forwarded for your information, review and appropriate action is a copy of the DDCI's Financial Guidance paper for FY 1977. Each of you should personally thoroughly familiarize yourself with the contents of this paper because it deals not only with items that are of specific interest to some of your Offices, but because it also requires certain general actions on the part of all the Offices. Please note especially the guidelines concerning reserve releases, reprogramming and the need for early identification of any possible surpluses. The Offices of Logistics and Finance should pay particular attention to paragraph 5 in which reference is made to OGC's recent opinion as to what constitutes a legal obligation.

2. If you have any questions concerning the attached, please feel free to call the DDA Budget Staff or me.


Michael J. Malanick

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Attachment

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18 OCT 1976

MEMORANDUM FOR: Deputy Director for Administration

SUBJECT: Financial Guidance for FY 1977

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25X1A than [REDACTED] were identified during the 1978 Program Review.
Among those, we identified [REDACTED] in hard requirements, ✓
bills which must be paid. Rather than wait until later in the year
to find ways to fund these requirements, we agreed to identify sources
of funds before the beginning of the year and reprogram now to pay for
these items. The funds authorized for your directorate reflect
Congressional actions on our appropriation. In addition, these figures
reflect the reduction imposed to meet hard requirements and
reprogramming to pay the bills you identified. Funds authorized to
fund hard requirements are intended for those purposes only. If
requirements have changed and you prefer to use them for other purposes,
you will be expected to seek the approval of the Comptroller before
diverting them. The Comptroller will consult with me as he deems
appropriate before authorizing the funds to be used for other purposes

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2. The program level for your directorate in FY 1977 is:

Total Funds

Total Positions

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These program levels include the following actions reflected in the
House Appropriations Committee letter dated 8 June 1976 and the House/
Senate Conferees letter dated 3 September 1976:

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In addition, you are reminded of the requirement that there be a maximum interchange of information about SAFE with DIA concerning its DIAOLS system, and that the Agency explore fully all prospects for joint development, procurement, and maximum commonality. The position level reflects the transfer of 20 positions from the CT Program to meet requirements elsewhere in the Agency.

3. Within the amount specified above, [REDACTED] is provided for the costs of personal services (Object Classes 11, 12, and 13). You are free to allocate these monies to components as required and to reprogram between components as needed subsequent to the initial input to the FRS, but not to convert them to non-personal services object classes without the Comptroller's prior agreement. Funds to cover the October 1976 Pay Act will be authorized after the amount of the Pay Act has been computed.

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4. The FRS data base now contains FY 1977 data as shown in the 1977 column of the 1978 OMB Budget. Your first input should make the adjustments necessary to accommodate Congressional action and the changes necessary to fund the unfunded hard requirements as approved in the EAG/Comptroller Meeting of 5 October 1976. No other reprogramming will be allowed until this data base is established. Sources of funds used to fund unfunded hard requirements must be specifically identified to the Comptroller by 12 November 1976 in order that the reprogramming can be thoroughly documented for subsequent reporting to CFI and Congress should that be deemed necessary.

5. As in the past, I will expect you to keep your records and controls over your resources by major component and to continue to provide project (FAN) and subobject class data to the Financial Resources System to facilitate review and monitoring of the way resources are being used. The operating budget amounts entered into the FRS for each major component should, of course, reflect the sub-allotments which you issue, adding up to the one allotment for your directorate. You are reminded of the recent opinion of the General Counsel describing what constitutes a legal obligation, and the need that opinion creates to allow ample time toward the end of the fiscal year to ensure that obligations meet the criteria for legality.

6. On 25 September 1972, Director Helms signed a memorandum to the Deputy Directors which begins, "The time has come for the adoption of procedures which are more flexible and less restrictive than those used in the past." This memorandum later became the Program Execution Procedure which has since been incorporated in Agency Regulation [REDACTED]. In the years since these policies were adopted, OMB and Congressional reductions in our budget requests, the imposition of restrictions on reprogramming, additional reporting requirements, and the general austerity of our programs have forced us to adopt policies and procedures

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less flexible and somewhat more restrictive than was intended in 1972. In 1976 in particular, it became clear that we can no longer rely on anticipated surpluses of funds to pay unavoidable unbudgeted requirements. Extraordinary actions have been necessary to reduce, defer, and cancel planned activities in order to make resources available to pay our bills. It is increasingly apparent that all resources must be treated as Agency assets; no longer can we afford the luxury of considering that resources budgeted by any component are the property exclusively of that component, just as unfunded activities which must be funded are Agency requirements and not necessarily the sole responsibility of the component identifying them.

7. The Agency has only three sources of funds to meet unbudgeted requirements:

- (1) Deferral or cancellation of planned activities,
- (2) Surpluses or savings resulting from programs which for various reasons do not develop as planned, or
- (3) Releases from the Contingency Reserve.

8. Ordinarily, a release from the Reserve will be requested only for single items in excess of \$1,000,000 when it can be demonstrated clearly to OMB and Congress that the requirement must be funded, funds were not included in the budget, and internal reprogramming to meet the requirement is impractical. I will make a determination to seek the Director's concurrence in requesting a Reserve release in consultation with you and the Comptroller.

9. Insofar as possible, unfunded requirements will be funded from savings or surpluses in non-personal services accounts which may be identified during the year. The Comptroller will review obligation rates monthly as a basis for projecting potential surpluses and tentatively identifying sources of funds. Funds identified in this manner will not be used to meet Agency needs until their status as surplus has been reviewed by the components concerned. Each month, in preparing for the Comptroller's Meeting, Deputy Directors will identify to the Comptroller potential savings/surpluses in non-personal services funds. Funds in excess of the normal or planned obligation rate for the expired portion of the year will be considered surplus unless there is a definite plan to obligate them later in the year, as in the case of some contracts, for example. Activities for which obligation rates are lagging will be considered as potential sources of funds to meet unfunded requirements. Such activities and estimated surpluses will be identified to the Comptroller monthly within three working days after trend reports are issued. The reason for any lags in planned obligation rates will be explained in a statement telling why the funds should not be used to satisfy unfunded requirements which must be paid.

10. Personal services funds will continue to be treated as in the past. Directorates will be requested to project estimated savings/shortfalls for use at monthly Comptroller Meetings and estimated savings will be used to fund other requirements only as determined at those meetings. In general, surpluses in personal services accounts will be returned only at the end of the fiscal year to meet priority unfunded activities.

11. Deferral or cancellation of planned activities to meet single or aggregate unfunded requirements will be considered only when known and projected savings or surpluses are insufficient to meet the need and a Reserve release is not appropriate. In such cases, the Comptroller will recommend to the Deputy Directors a reduction computed by a method appropriate for the facts and circumstances at the time, and I will make a final determination where there are differences of opinion.

12. Activities which are obligating funds at a rate in excess of the normal or planned rates will be reviewed in the same manner for the purpose of identifying potential unfunded requirements.

13. The management of automatic data processing activities throughout the Agency was discussed during the July Program Review. During the course of FY 1977 the Comptroller will begin monitoring the use of ADP resources during regularly scheduled Comptroller Meetings. The nature of this monitoring will be developed as the year progresses.

14. The austerity of our budget, as well as restrictions imposed by Congress, require that we pay particular attention to reprogramming for whatever purpose. Until all unfunded requirements (hard requirements) which must be paid have been met, proposals to reprogram funds in unit or aggregate amounts of \$100,000 or more must be submitted to the Comptroller for approval before the reprogramming action is taken. Reprogramming reports will be reviewed monthly to monitor compliance. I must insist on some further restrictions:

a. Reprogramming in any amount to fund in whole or in part any politically sensitive activity, or any activity of particular interest to Congress must be submitted to the Comptroller for approval before the action is taken. I must hold you responsible for informing the Comptroller of any proposal for action in this area. He in turn will make a recommendation to me as to whether we must seek Congressional approval. Notification that such activities are to be undertaken must be submitted to the Comptroller even though they are included in approved programs for which funds are available [REDACTED]

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b. Reprogramming in any amount to fund in whole or in part any activity which has been specifically reduced or stricken from the program by Congressional action must be submitted to the Comptroller for approval before the action is taken. In your directorate, within

[REDACTED]

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should be considered to fall within these limitations. Again, I must hold you responsible for informing the Comptroller of any proposal for action in this area. He in turn will make a recommendation to me as to whether Congressional approval may be necessary. The items specifically cited above are based on the letter issued by the House Appropriations Committee and the Conference Report on the 1977 Budget.

c. Reprogramming in any amount to launch a new activity with potential follow-on costs which exceed annualized first-year costs during succeeding fiscal years, must be submitted to the Comptroller for review.

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d. Notifications of Imminent Action, as prescribed by [REDACTED] will no longer be required. Compliance with the instructions in this memorandum will suffice.

e. After 31 July 1977 conversions of funds to PRA or of PRA to funds will be allowed only when fully justified and the Deputy Director concerned has certified the need.

15. In the past, for certain programs, funds budgeted by one component in one directorate have been obligated and expended by another component in another directorate. If such need arises, the component that budgeted the funds should address a memorandum to the Comptroller through the Office of the Deputy Director concerned, asking approval for the transfer. The Comptroller will issue revised allotments to the directorates, decreasing the allotment of the budgeting directorate and increasing the allotment of the obligating directorate by the amount authorized. The practice of having the obligating component simply charge a FAN account of the budgeting component will no longer be allowed.

16. You are requested to furnish copies of this memorandum to subordinate components as necessary to ensure understanding and compliance.

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E. H. Knoche
Deputy Director of Central Intelligence

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